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EU-28

Poultry and Products Annual

EU-28 Poultry sector to grow again in 2013 and 2014

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Report Highlights:

EU-28 broiler sector is expected to grow in 2013 and 2014, benefiting from slowly growing domestic demand (which is less affected than other meats by the economic recession). Brazil and Thailand will remain the largest suppliers of broiler meat to the EU-27. EU-28 broiler meat exports are expected to remain stable in 2013, mainly due to the suspension in July 2013 of all EU-28 poultry meat export restitutions not being offset by increased exports of low-priced cuts. On the other hand, **EU-28 Turkey sector resumed its decline** as both trade and consumption are expected to decrease.

Executive Summary:

The EU-28 broiler sector is expected to continue to grow in 2013 and 2014, benefiting from slowly growing domestic demand (which is less affected than other meats by the economic recession because it is cheaper and more convenient). The overall EU-28 production in 2013 encompass various situations, but **the broiler meat production is foreseen to increase from 2012 in all major EU producing countries**, including UK, Benelux, Spain, Poland, Germany Italy and France.

The hike in global grain prices in 2012 has directly impacted broiler production costs as it did in 2010. Data shows that producers were able to pass most of the increase to their domestic customer, thus keeping their operational margins or only lowering them marginally. **The significant decrease of grain prices in the EU-28 since the spring of 2013 will certainly increase operating margins**, even if retail prices decrease, which is yet to be seen.

The EU-28 broiler trade surplus is expected to increase in 2013 and 2014 in light of slightly decreasing imports and stable or slightly increasing exports. Brazil and Thailand remain the largest suppliers of broiler meat to the EU-28. The opening of the EU-28 market to Thai un-cooked broiler meat on July 1st 2012 led to a significant increase of export of Thai salted and frozen broiler cuts and parts to the EU-28 to the detriment of Brazil exports. It has been reported that the quality of Thai broiler meat exports better suits EU importers' need.

EU-28 broiler meat exports are now expected to remain stable in 2013, mainly due to the **suspension in July 2013 of all EU-28 poultry meat export restitutions** which is going to negatively impact French exports of frozen whole broilers to the Middle-East region, especially to Yemen and United Arab Emirates. The Saudi market seems to be more resilient to the end of export subsidies, capable of absorbing higher prices without visible impact on trade volumes. On the other hand, exports of low-priced cuts and mechanically deboned meat (MDM) to Sub-Sahara Africa, especially South Africa and Ghana will continue to grow. South Africa is now becoming the largest customer of EU-28 broiler meat, close to Saudi Arabia. **Exports are expected to resume their growth in 2014**, especially since lower production costs due to lower grain prices should increase EU-28 broiler price competitiveness.

While all sources show that total meat consumption in the EU-28 has been negatively impacted by the economic recession, **poultry meat, which is the cheapest source of protein, was less affected**. Its consumption per capita is stable or slightly increasing. In the EU-28, sales of cheaper broiler cuts also increased faster than sales of more expensive parts, such as breasts or sales of whole birds.

EU-28 turkey production is now expected to decrease in 2013 and 2014, after a temporary surge, due to production hikes in the UK. Turkey meat imports should remain stable in 2013 and 2014 under import quota control. French turkey exports to Africa are expected to remain stable as well as German and Dutch exports to Russia. After stabilization in 2012, mainly due to in-store promotions in UK, **turkey meat consumption in the EU-28, overall, is expected to resume its decrease in 2013 and 2014**.

The numbers in the PSDs in this report are not official USDA numbers, but they result from a collaborative effort by FAS EU offices to consolidate PSDs from all 28 EU member states.

This report is the result of active collaboration with the following EU FAS colleagues in the following member states:

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Commodities:

Poultry, Meat, Broiler

Production:

2012 production data were adjusted from previous estimates to reflect the inclusion of Croatia which joined the European Union on July 1, 2013.

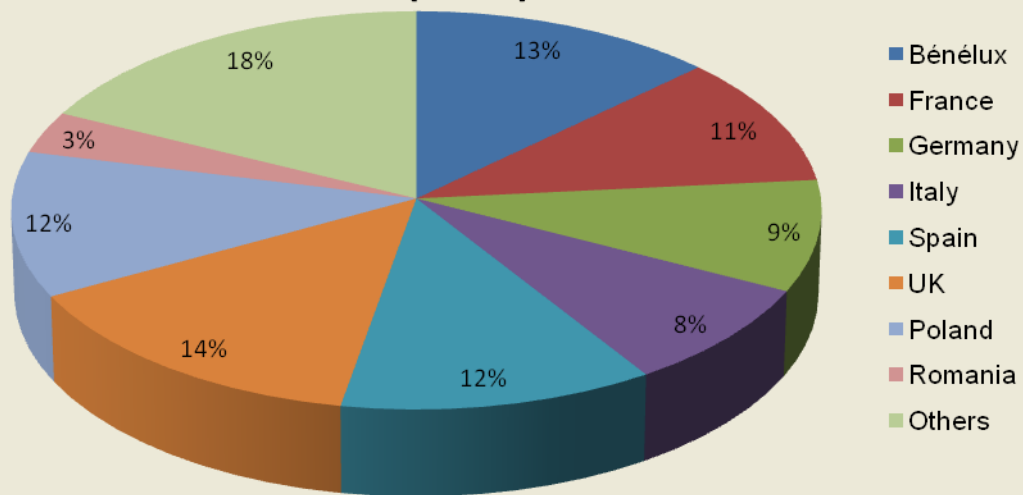
The EU-28 broiler sector is expected to continue to grow in 2013 and 2014, benefiting from slowly growing domestic demand (which is less affected than other meats by the economic recession because it is cheaper and more convenient).

The overall EU-28 production in 2013 encompass various situations, but broiler meat production is expected to increase from 2012 in all major EU producing countries, including the UK, Benelux, Spain, Poland, Germany and Italy. After a decrease in 2012, due to the demise of the DOUX poultry company, French broiler production is expected to grow again in 2013, as competitors replace DOUX lost market shares.

The French company DOUX, which was the largest EU poultry meat producer with 2011 sales over € 1.4 billion and a major exporter, especially of frozen whole broilers to the Middle East, filed for bankruptcy in early June 2012. The fresh meat business, focused on the French domestic market, which was losing about € 30 million per year, was broken-up in September 2012 with some slaughterhouses being taken over by domestic competitors, such as LDC and DUC. Export and value-added product businesses were kept and restructured with a partial debt write-off and with all the Brazilian facilities rented to JBS.

With a very limited rebound in the EU-28 economic situation foreseen for 2014 (a situation which favors cheap protein sources leading to continued strong domestic demand for poultry meat) combined with continued export demand, the EU-28 broiler production is expected to grow again in 2014, albeit at a slower rate. **However, the short production cycle (a couple of months) of the broiler industry makes it very reactive to outside events, both on the upside and downside, making accurate forecasts more difficult.**

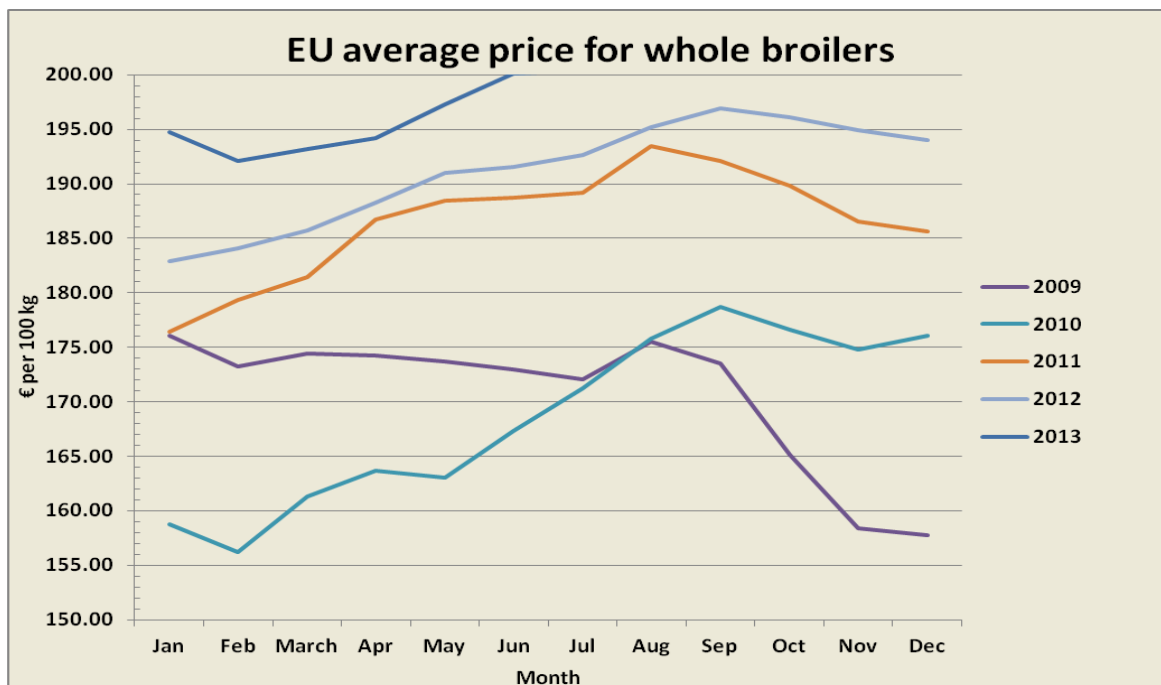
EU-27 main broiler meat producing countries (2013)



(Source FAS Posts)

Prices:

The hike in global grain prices in 2012 has directly impacted broiler production costs as it did in 2010. Data shows that producers were able to pass most of the increase to their domestic customers (see chart below), thus maintaining their operating margins or only lowering them marginally. The significant decrease of grain prices in the EU-28 since the spring of 2013 will certainly increase operating margins, even if retail prices decrease, which is yet to be seen.



(source CIRCA)

A recent production cost overview by the French technical poultry association ITAVI (www.itavi.asso.fr) highlighted the lower competitiveness of the broiler production in the EU-28 versus Brazil, Thailand, and even the United States. Feed costs, which account for a significant share of broiler production, are, on average, 25 to 30 percent lower in Brazil and Thailand, as shown by studies of Professor [Peter Van Horne](#) from the Dutch University of Wageningen. With slaughter and processing costs also lower, total production costs in the EU-28 are, on average, 30 to 40 percent higher than in Brazil and Thailand. However, long-term studies also show that the difference between the EU-28 and Brazil was even higher in the late 1990's and early 2000's, highlighting a slow reconciliation of EU and Brazilian costs, especially feed costs.

A 2010 [EU study](#) also showed that domestically produced broiler breast meat was barely competitive against imported meat, even after payment of import duties. This study and others also indicate that within the EU-28, significant differences remain between Member States (MS) for broiler meat with France being, on average, 0.2 € per kilo (or 13 percent) more expensive than the Netherlands and Germany. The difference is even larger with Poland. This situation explains the shrinking share of France in total EU broiler meat production. It also explains why Polish broiler meat shipments to other MS are increasing sharply, even displacing imported Brazilian meat in Western Europe.

Consumption:

While all sources show that total meat consumption in the EU-28 has been negatively impacted by the economic recession, broiler meat, which is the cheapest source of protein, was less affected. However, its consumption growth is less than demographic growth, which means that per capita consumption is basically stable. Several market analyses showed that, while EU-28 consumers generally switched from beef or pork meat to broiler meat, the low income consumers reduced their protein purchases, switching to carbohydrate products (bread, pasta) with the exception of Spain, where pork meat is preferred over broiler meat.

In the EU-28, sales of cheaper cuts (legs and wings) also increased faster than sales of more expensive parts, such as breasts or sales of whole birds. This trend is expected to extend into 2014 in the absence of any economic recovery.

In several EU countries, such as Germany, France and Poland, the switch to broiler meat is enhanced by the belief that it is a healthier and leaner meat and more convenient to cook and prepare. It is also considered easier to prepare for catering and restaurant use than other meats.

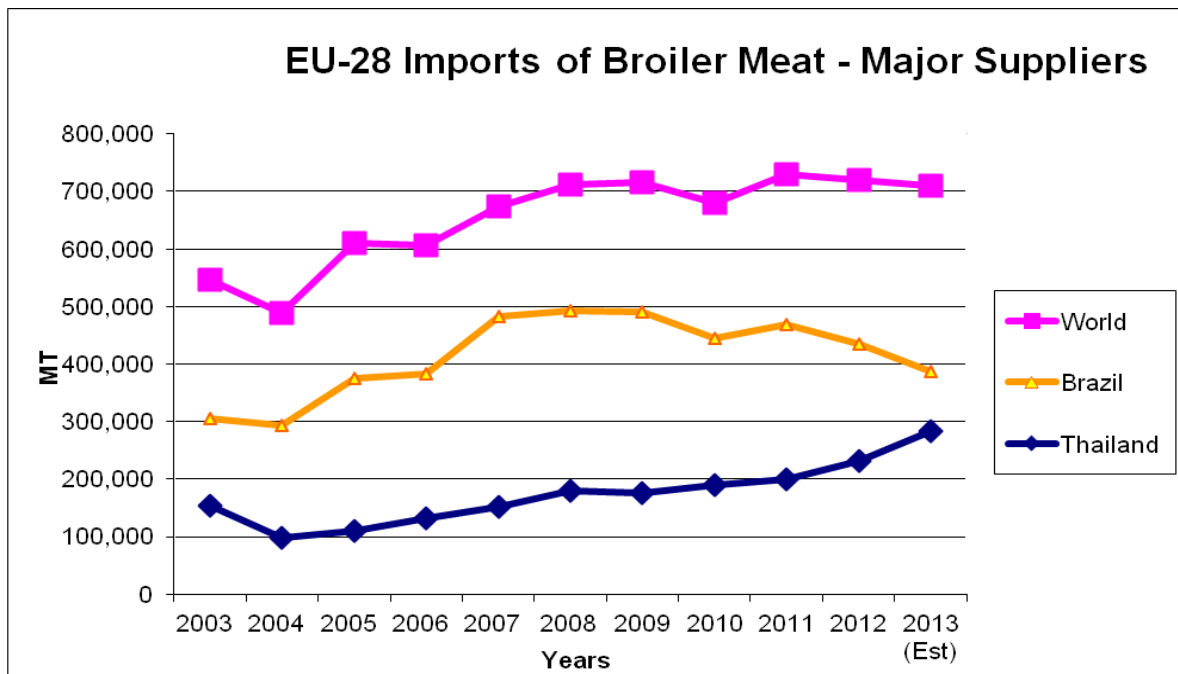
Trade:

The EU-28 broiler trade surplus is expected to increase in 2013 and 2014 in light of stagnating imports and increasing exports.

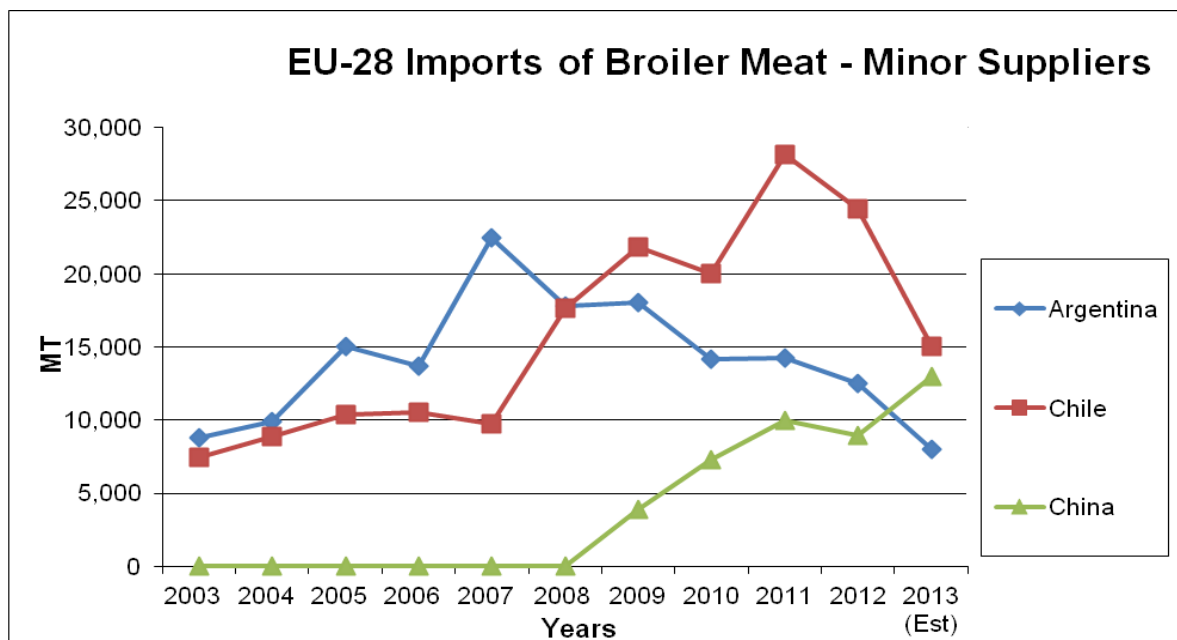
Extra EU-28 Imports

'000 MT	Quota years (July-June)	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	Quota reg. (EC) No 616/2007 (July-June MY)
020712	Frozen whole	23	17	17	13	12	10	
020714	Frozen cuts	198	173	141	149	137	134	-
16023219	Preparations of chicken meat	285	321	313	365	360	329	251
02109939	Salted, or in brine	194	209	200	200	205	240	264
Total		699	720	671	727	724	714	-

*Forecast
(Source World Trade Atlas)



(Source World Trade Atlas)



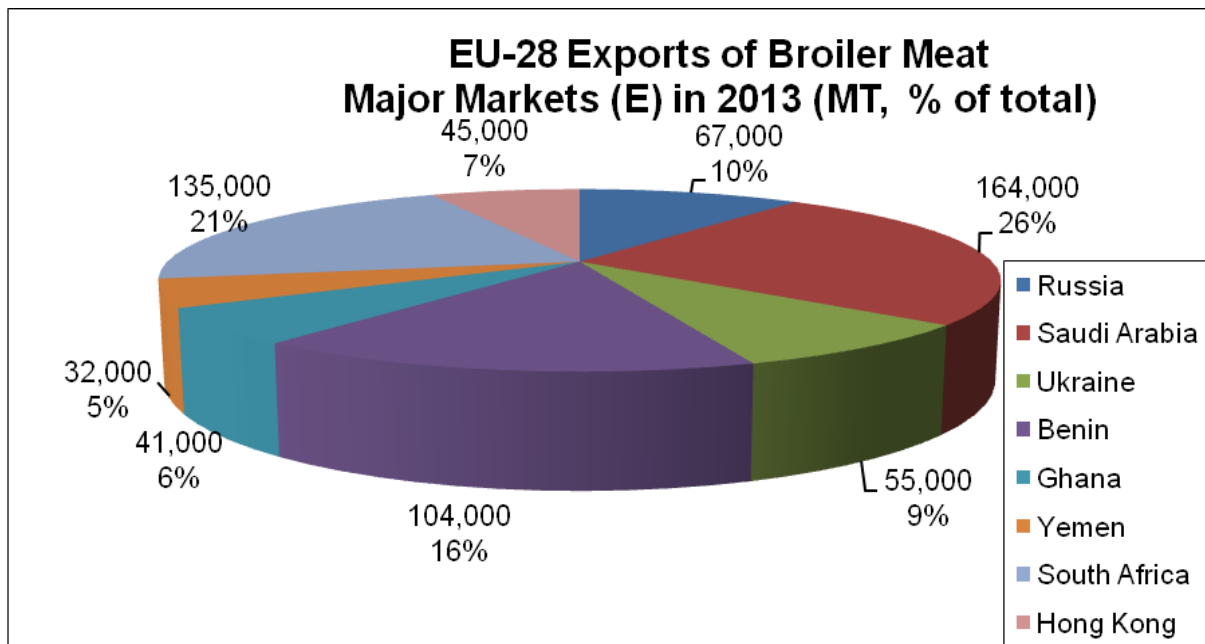
(Source World Trade Atlas)

Brazil and Thailand remain the largest suppliers of broiler meat to the EU-28, followed by Chile and China. On July 1, 2012, the EU-28 reopened its market to fresh broiler meat from Thailand which had been closed since 2004, due to avian flu outbreaks there. This led to a significant increase of exports of Thai salted and frozen broiler cuts and parts to the EU-28 to the detriment of Brazil exports in the second half of 2012. This trend is expected to continue in 2013 and 2014. Analysts report that the quality of Thai broiler meat better suits EU importers' needs. Exports of cooked Thai broiler meat may also decrease following the EU-28 ban lifting on uncooked meat. In 2012, imports of Broiler imports from Brazil were also impacted by the strength of the Brazilian Real against the Euro. However, the recent devaluation of the Brazilian currency is

not expected to boost Brazil broiler meat exports to EU-28 in 2013 as the hike in domestic Brazilian costs are likely to offset, at least partially, the currency movements.

EU-28 broiler imports from China (exclusively cooked and prepared broiler meat) are expected to grow again in 2013, after stabilization in 2012. The United States, which exported as much as 92,000 MT of broiler meat in 2005 to Romania and Bulgaria, is no longer a supplier to the EU-28, because the EU doesn't accept Pathogen Reduction Treatments (PRTs) which are used by U.S. poultry processors.

Extra EU-28 Exports



(Source World Trade Atlas, FAS Posts estimates)

EU-28 broiler meat exports are now expected to remain stable in 2013, mainly due to the suspension in July 2013 of all EU-28 poultry meat export restitutions which will negatively impact French exports of frozen whole broilers to the Middle-East region, especially to Yemen and United Arab Emirates. The Saudi market seems to be more resilient to the end of export subsidies and being capable of absorbing higher prices without visible impact on trade volumes. It also appears that French frozen chicken exports are well suited to the Saudi market, which is looking for small birds (less than 1 kilogram, 40 days old at slaughter) which many competitors cannot supply. Exports are expected to resume their growth in 2014, especially since lower production costs due to lower grain prices should increase EU-28 broiler price competitiveness.

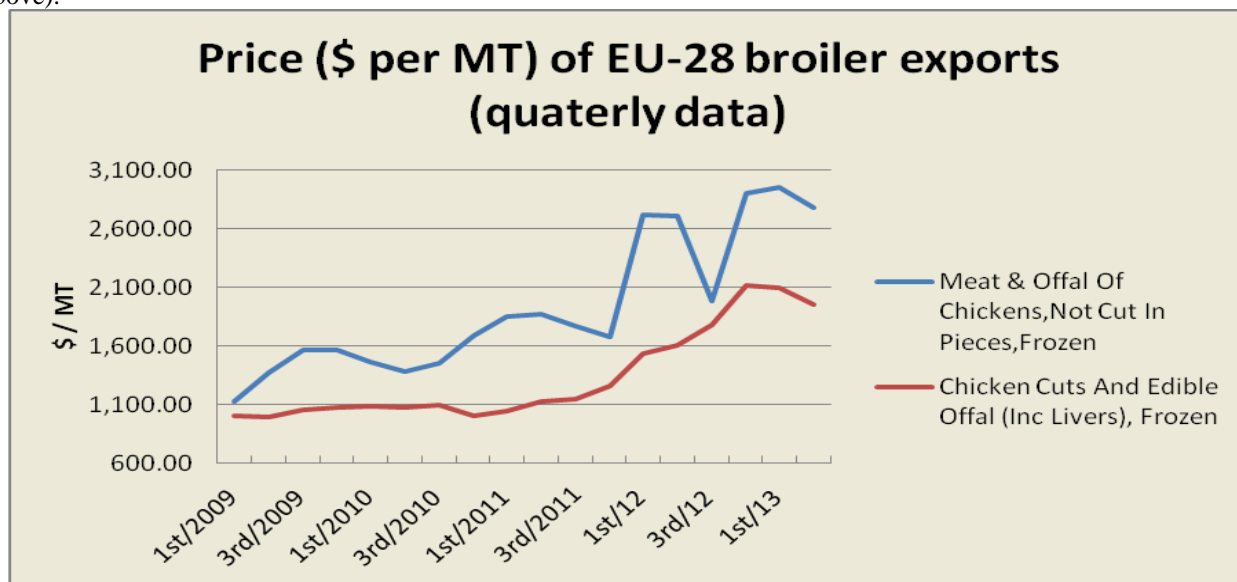
On the other hand, exports of low-priced cuts and mechanically deboned meat (MDM) to Sub-Sahara Africa, especially South Africa and Ghana, will continue to grow. With expected exports close to 140,000 MT in CY 2013, South Africa is now becoming the largest customer of EU-28 broiler meat, close to Saudi Arabia. The EU-28 has not joined Brazil in its WTO challenge against South Africa poultry tariffs.

EU-28 exports of broiler meat to Russia are expected to decrease slightly in 2013 and 2014, since they are facing stiff competition from the U.S., Belarus and Brazil, as well as from increased domestic production.

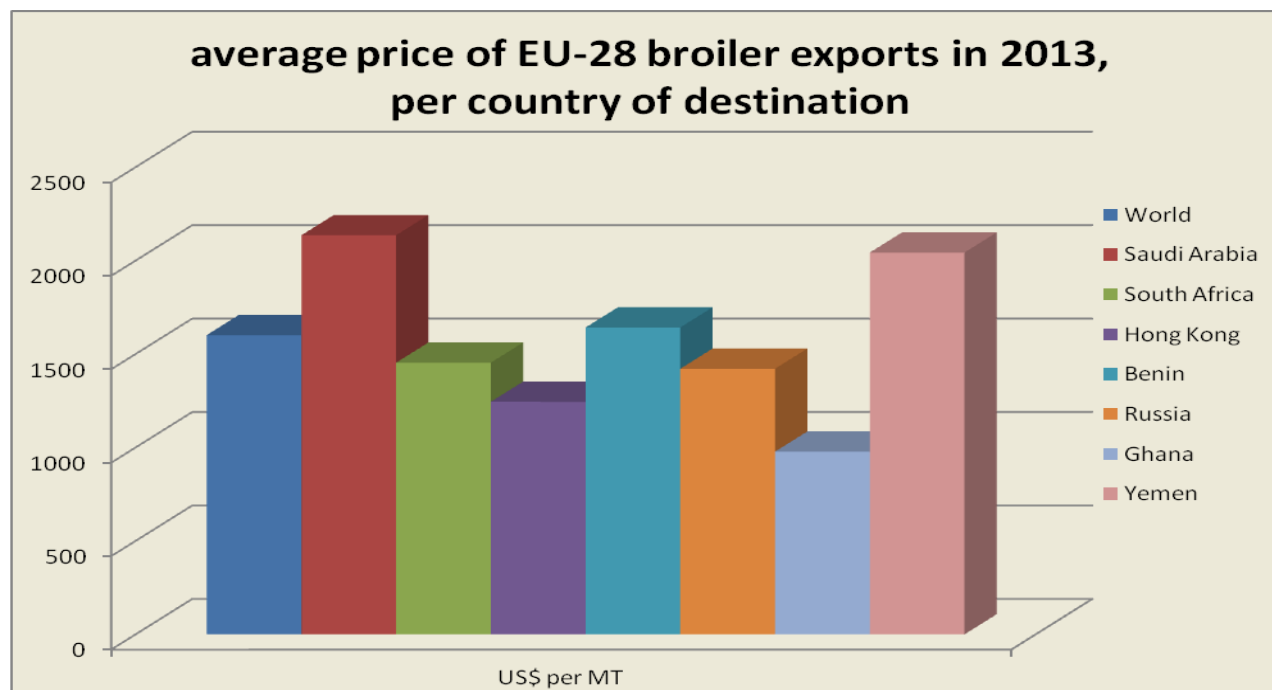
EU-28 exports (of frozen cuts) to Hong Kong and China are expected to decrease in 2013 and 2014, due to the competition from other sources, notably Thailand and Brazil. Note that close to 50 percent of EU-28 total broiler meat exports to Hong Kong (and 10 percent of EU-28 broiler meat exports to China) are made up of frozen broiler feet and were removed from FAS calculated trade data.

The good economic situation in key import markets, such as Saudi Arabia, because of high oil prices allowed EU-28 frozen whole bird exporters to pass most of their increased production costs to their foreign customers in 2013.

But the gloomy economic situation and the competition from Thailand and Brazil in other EU-28 markets, such as sub-Saharan Africa, are preventing such price hikes for exports of broiler cuts and parts, allowing only moderate growth. The second half of 2013 and 2014 should show a decrease in export prices, because production cost are expected to decline (see above).



(Source World Trade Atlas)



(Source World Trade Atlas)

Policy:

The main event in 2013 was the above-mentioned of the suspension by the EU of its export restitutions for poultry

On July 18, the EU Commission decided to suspend export refunds for poultry meat. Commission [Implementing Regulation 689/2013](#) sets all poultry meat export refunds to zero. For the past few years, only exports of frozen whole broilers benefited of export refunds and only to specific countries, i.e., Commonwealth of Independent States (Ukraine, Belarus, Moldova, Russia, Georgia, Armenia, Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, Kyrgyzstan), Angola, Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, United Arab Emirates, Jordan, Yemen, Lebanon, Iraq and Iran.

The commission had been steadily reducing those refunds since 2012:

Decision Date	Refund (€ per MT)
21-Oct-11	325
19-Jan-12	325
19-Apr-12	325
20-Jul-12	325
19-Oct-12	217
19-Apr-13	108.5
18-Jul-13	0

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler EU-28	2012		2013		2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0		0
Slaughter (Reference)	0	0	0	0		0
Beginning Stocks	0	0	0	0		0
Production	9,510	9,550	9,550	9,750		9,900
Total Imports	718	719	720	710		710
Total Supply	10,228	10,269	10,270	10,460		10,610
Total Exports	1,090	1,081	1,060	1,085		1,100
Human Consumption	9,138	9,188	9,210	9,375		9,510
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	9,138	9,188	9,210	9,375		9,510
Total Use	10,228	10,269	10,270	10,460		10,610
Ending Stocks	0	0	0	0		0
Total Distribution	10,228	10,269	10,270	10,460		10,610

MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG

Commodities:

Poultry, Meat, Turkey

Production:

EU-28 turkey production is now expected to decrease in 2013 and 2014, after a temporary surge due to production hikes in the UK which were fueled by increased consumer demand, because of aggressive promotions and advertizing campaigns. In France, turkey production is not competitive compared to broilers, and processors have shut down several slaughterhouses for profitability reasons.

Consumption:

Imports should remain stable under import quota control. French turkey exports to Africa are expected slightly decrease. since German and Dutch exports to Russia should remain flat.

Trade:

After stabilization in 2012, mainly due to in-store promotions in UK, turkey meat consumption in the EU-28, overall, is expected to resume its decrease in 2013 and 2014. In some countries, such as France, consumers continue to shift away from turkey to chicken, because it is considered tastier. Processors also prefer to switch to broiler from turkey as processing yields on carcasses are higher.

Production, Supply and Demand Data Statistics:

Poultry, Meat, Turkey EU-28	2012		2013		2014	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0		0
Slaughter (Reference)	0	0	0	0		0
Beginning Stocks	0	0	0	0		0
Production	2,020	2,010	2,030	1,985		1,975
Total Imports	81	93	80	90		90
Total Supply	2,101	2,103	2,110	2,075		2,065
Total Exports	150	150	150	140		130
Human Consumption	1,951	1,953	1,960	1,935		1,935
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	1,951	1,953	1,960	1,935		1,935
Total Use	2,101	2,103	2,110	2,075		2,065
Ending Stocks	0	0	0	0		0
Total Distribution	2,101	2,103	2,110	2,075		2,065

MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG